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ABSTRACT

The financing of Wisconsin's "Chapter 220" program, which is the primary means for implementing the 1988 federal court settlement of a school integration lawsuit, needs to be reformed. Total program costs may triple in 5 years, from about $32.5 million in 1986-87 to $90 million by the 1992-93 school year; per pupil costs could rise from about $8,700 to more than $10,000. The Wisconsin Legislature enacted Chapter 220 in 1976 to encourage metropolitan school integration in Milwaukee. Financial incentives were included to encourage local district participation. Under existing law, the incentives are paid from state funds that otherwise would be distributed to districts throughout the state. The following cost factors are discussed: (1) the per pupil cost of the city-suburban program is nearly twice the cost of education in the average Wisconsin school district; (2) costs are growing at a rate much faster than student participation; (3) the majority of funds paid to local school districts represent financial incentives that exceed actual education costs; and (4) city-suburban busing costs exceeded $2,100 per pupil in 1986-87, nearly half the entire per-pupil cost of education in the average state school district. Local school officials should work with the governor and the state legislature to develop financial reforms, and the parties involved in the lawsuit settlement might need to modify the agreement to reflect the new financial structure. Statistical data are included on six graphs. (FMW)

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Policy Research Institute Report

OCTOBER 1988 Volume 1, No. 4

THE RISING COSTS OF THE "CHAPTER 220" PROGRAM IN WISCONSIN

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Report from the Executive Director:

In June of 1988, *The New York Times* reported that in the first five years of the St. Louis Metropolitanwide School Desegregation Plan, the state of Missouri spent $500 million. Since Wisconsin's Chapter 220 program was very similar to the St. Louis plan, we decided to take a close look at the entire program.

We contracted with George Mitchell, the President of The George A. Mitchell Company, to do the research and write the report. Mr. Mitchell served in the administration of Governor Lucey during the 1970's when Chapter 220 was enacted and when most of the current state policy towards public school finance was adopted. In 1984 Mr. Mitchell was selected by Governor Earl and DPI Superintendent Grover to chair a commission studying public school quality in metropolitan Milwaukee. He was among several citizens selected by the U.S. Department of Education to advise the Department in its recent update of the school reform study, "A Nation At Risk". Earlier this year he testified before the United States Commission on Civil Rights regarding school reform. Since 1985 Mr. Mitchell has served as a citizen member of the Shorewood School District's Chapter 220 Planning Council.

Our purpose was to examine the actual costs needed to operate Chapter 220, the kinds of fiscal accountability used, and what the finances of the program would look like in the future. This study stresses the need to overhaul the costs involved with Chapter 220 before spiraling expenses make the entire program a luxury that the state of Wisconsin can no longer afford.

The Institute gratefully acknowledges the generous cooperation of Milwaukee Public Schools and the Department of Public Instruction in compiling this report.

James H. Miller

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THE RISING COSTS OF THE "CHAPTER 220" PROGRAM IN WISCONSIN

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THE RISING COSTS OF THE "CHAPTER 220" PROGRAM IN WISCONSIN

by

George A. Mitchell

INTRODUCTION

The financing of Wisconsin's "Chapter 220" program needs to be reformed. Here are the reasons why:

*The per-pupil cost of the city-suburban program is nearly twice the cost of education in the average Wisconsin school district.

*Chapter 220 costs are growing at a rate much faster than student participation.

*The majority of funds paid to local school districts represents financial incentives -- payments which exceed actual education costs.

*City-suburban busing costs exceeded $2,100 per pupil in 1986-87. This is nearly half the entire per-pupil cost of education in the average state school district.

The Wisconsin Legislature enacted Chapter 220 in 1976 to encourage metropolitan school integration in Milwaukee. Financial incentives were included to encourage local district participation. Under existing law, the incentives are paid from state funds that otherwise would be distributed to districts throughout Wisconsin.

The program is the primary means for implementing the Federal Court settlement reached early in 1988 in the school integration lawsuit. At the time of the settlement, some officials expressed concern as to its future cost. Those apprehensive included Governor Thompson (who played a major role in reaching the settlement), Assembly Speaker Loftus, and others.

Their concerns are justified. Without reform, total program costs might triple in five years, from about $32.5 million in 1986-87 to $90 million by the 1992-93 school year. Per-pupil costs could rise from about $8,700 to more than $10,000.

These high costs are due to the substantial financial incentives created in 1976 to encourage school district participation. At that time, the program was controversial. Today, however, there is increasing support from parents and school districts. This indicates the cost of Chapter 220 incentives can be reduced greatly, with savings used for other educational purposes.

This report recommends that local school officials work with the Governor and Legislature to develop financial reforms for Chapter 220. The parties to the lawsuit settlement might need to modify the agreement to reflect the new financial structure.

I. A PROGRAM OVERVIEW

Sandra Taylor is an 11-year-old black girl. Although a Milwaukee resident, she has attended a suburban elementary school since first grade. Her grades are average or better. She mixes well among students in the integrated school.

Eric Daniels is a 7-year-old white youngster. His family recently moved to a suburb, but he still goes to the Milwaukee school where he attended first grade. His parents like the arrangement: Eric has new friends in the suburbs, can maintain his Milwaukee friendships, and goes to an after-school program in his old neighborhood. His parents pick him up on the way home each evening.

* * *

Sandra and Eric (real children; not their real names) are among more than 5,000 students in metropolitan Milwaukee who are transported each school day to districts other than those in which they live. Their parents voluntarily choose this option under the 12-year-old state law commonly known as Chapter 220.

From an uncertain, experimental start, Chapter 220 now is a major part of educational planning and funding in metro Milwaukee and in state government. It provides the framework for implementing this year's Federal Court settlement of the metropolitan integration lawsuit.

To supporters of Chapter 220, the experience of students such as Sandra and Eric represents success:

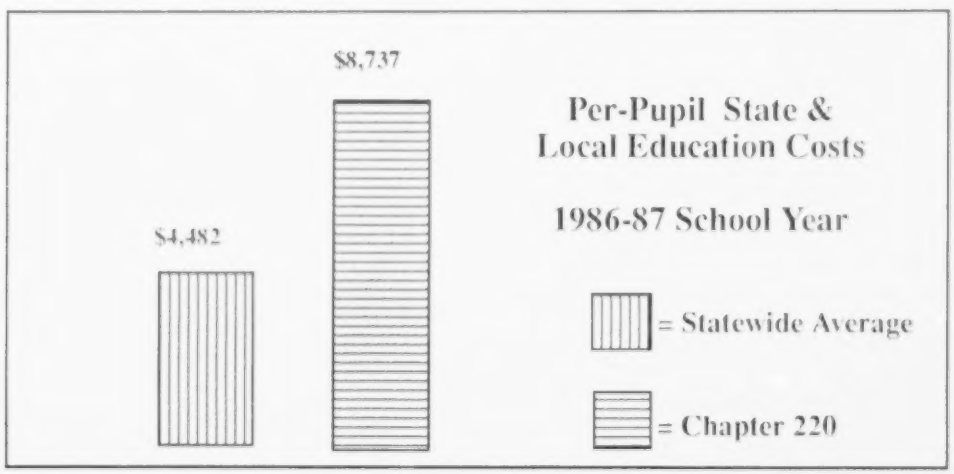
--They attend schools chosen by their parents. They aren't forced to ride a bus; they do so because of what's at the end of the ride.

--They increase integration in suburban schools, which otherwise would be largely white, and reduce "racial isolation" in Milwaukee schools, where the majority of students are minorities.

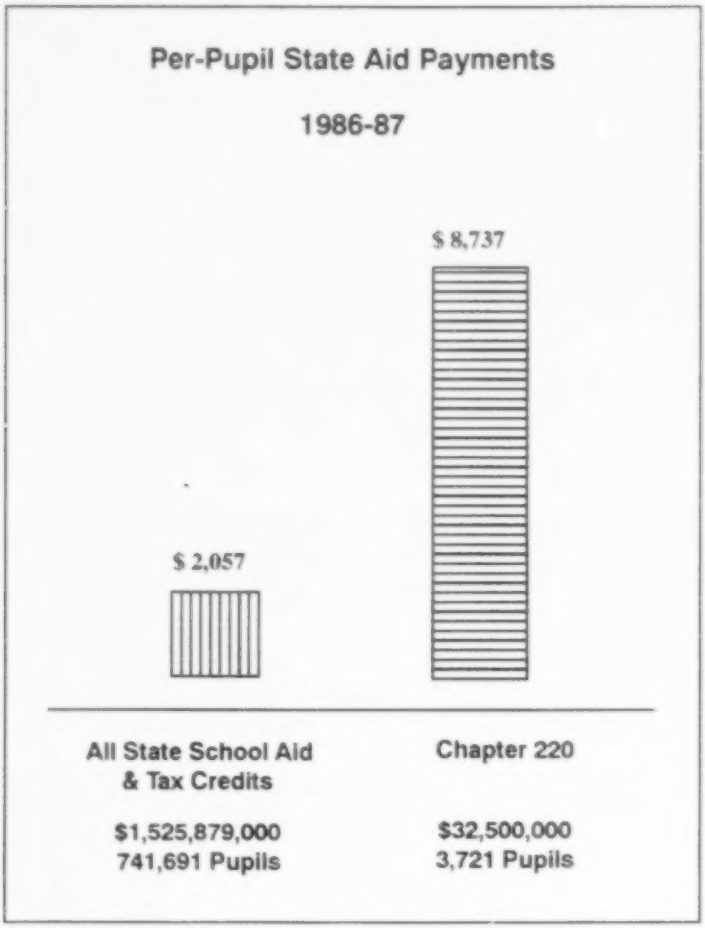
From this perspective, Chapter 220 is achieving the goals set by the Legislature.

Nevertheless, an examination of the program's cost raises concerns:

(1) The cost per pupil is nearly twice the average state and local cost of educating a public school student in Wisconsin. This is because the program is set up to provide incentives, rather than to reflect actual cost.



(2) The state treasury spends four times as much, per pupil, on Chapter 220 students as it does on the average public school student. Yet most districts receiving Chapter 220 aid have substantial local ability-to-pay.



(3) Accountability for, and evaluation of program costs is very limited. Although Chapter 220 is the third largest form of state education aid, it is not identified in the statutory schedule of state budget appropriations. The program's financial structure is not well understood.

(4) Accountability is diminished further by the fact that Chapter 220 costs are driven by local decisions, yet the bills are paid primarily by the state on a blank-check, "sum sufficient" basis.

When Chapter 220 was enacted, generous financial incentives were believed necessary to build acceptance. Growing support from students, parents, and school districts indicates this no longer is so. An executive and legislative review of how the program is working would be appropriate, so financing reforms can be considered. Otherwise, rapidly growing costs could jeopardize the statewide support Chapter 220 has received in the Legislature.

* * *

Without dismissing the program's benefits to students such as Sandra and Eric and their parents, further development of their stories illustrates problems in Chapter 220 financing.

•The suburban district attended by Sandra is one of the state's wealthiest. With no general state aid, its parents still support a per-pupil budget 30% higher than the statewide average. While Sandra's attendance does not increase costs significantly, the state sends the district a check of more than $4,500. Further, it adds a 20% bonus -- about $920 -- because the district's enrollment includes more than 5% transferring minority students.

•Separately, for state aid purposes, Sandra is counted as though she attends Milwaukee Public Schools, so MPS gets state aid of about $1,750. In addition, Sandra's parents still pay about $1,400 in residential property taxes to MPS, so it receives both state and local tax funds as though Sandra is still an MPS student.

•Finally, MPS is responsible for busing Sandra to the suburban school. The state makes an additional payment intended to account for that cost, which averaged more than $2,100 per pupil in 1986-87.

Total Cost = $9,270, compared to the statewide average per-pupil school cost of about $4,500. This does not include the school property taxes of about $1,400 paid by Sandra's parents to MPS.

* * *

•Eric is the only youngster in his suburban neighborhood who attends the MPS elementary school in his former neighborhood. MPS drives him in a small van to his school, using the extra state aid received for transportation purposes.

•MPS also receives a state payment of about $3,700 for Eric's education -- the amount reflects the district's "net" cost of education per pupil, after deducting certain federal and other revenues.

•His suburban school district is allowed by the state to count Eric as though he attends it, rather than MPS; thus, it gets state aid of about $1,000 from the state. (This so-called "sender" aid payment is made only to MPS and certain suburbs eligible for general state aid; not all suburbs are eligible.)

•In addition to state aid to the district of Eric's residence, his parents also pay about $1,750 in residential property taxes to the district.

Total Cost = $6,800, plus the $1,750 in local school taxes.

* * *

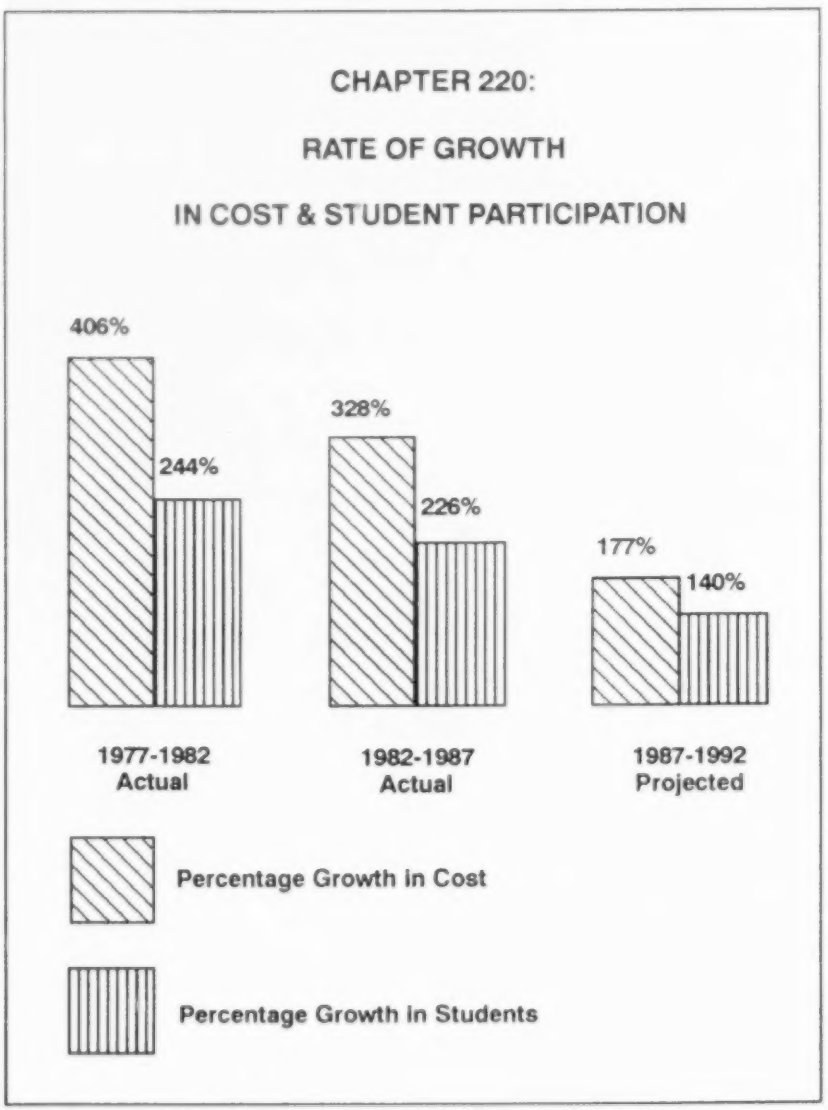
Accountability for any program's cost is related directly to taxpayer understanding. In this respect, Chapter 220 is one of the state's most obscure programs. Information generally available to the public is not sufficient to allow a citizen to understand what Chapter 220 costs or how costs are determined. Information for this report was assembled only with considerable special assistance and cooperation from the Wisconsin Department of Public Instruction and Milwaukee Public Schools.

Although the city-suburban program cost more than $30 million in 1986-87, and is the third largest form of school aid administered by the state, it is not specifically enumerated in the appropriation schedule adopted as part of the state budget. More than a dozen other school aid programs, some costing less than $1 million a year, are specified.

Chapter 220 is not listed as the result of a decision in 1979 to eliminate a separate appropriation and instead to include its costs among the general state school aid appropriation. It is commonly recognized this was done to insulate the program from scrutiny; many supporters felt a program relying totally on state taxes to promote racial balance in metro Milwaukee schools would be vulnerable if identified separately in the budget. DPI has since proposed a separate appropriation, but to no avail.

In this vacuum of accountability:

--The cost consistently has grown faster than the number of participating students.

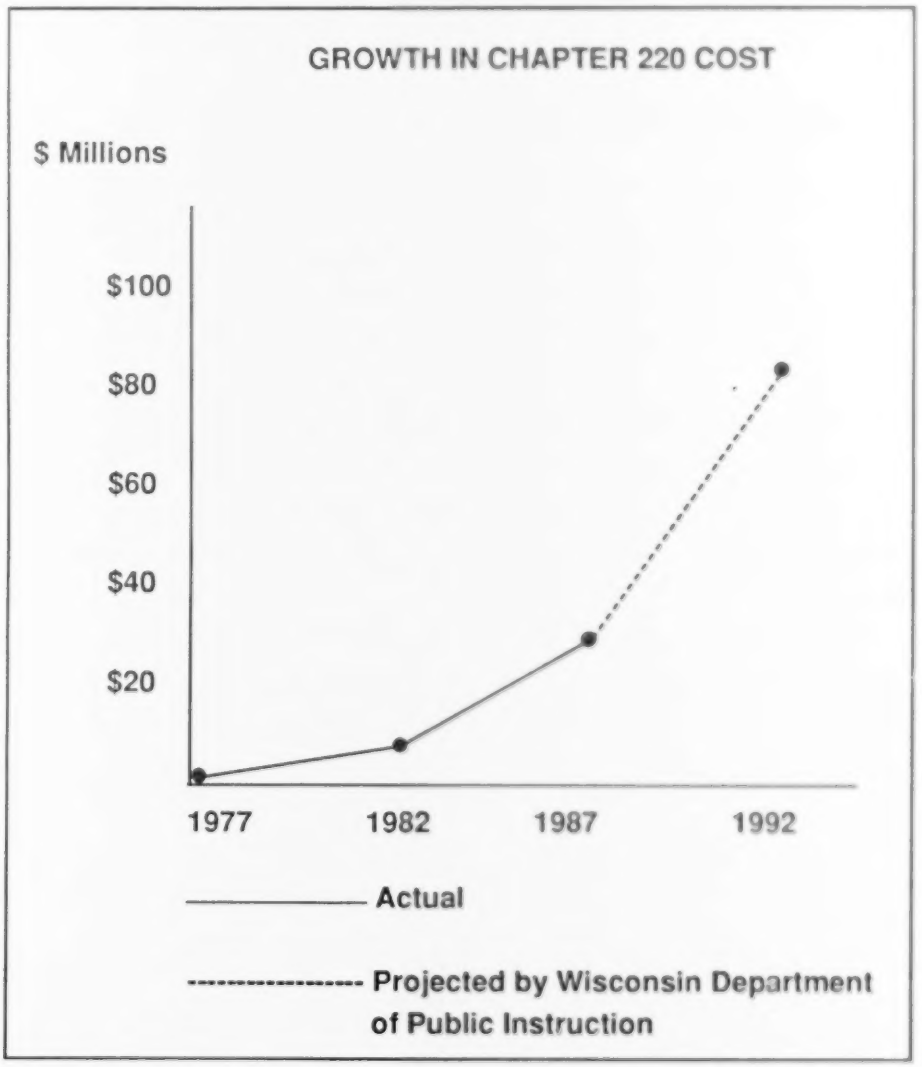


--Suburban school districts, many with substantial ability to pay, receive state payments which exceed actual costs of educating Chapter 220 students. Until last year, MPS also received aid in excess of cost. This is not so anymore, because soaring busing expenses are no longer fully reimbursed.

--Suburban districts get 20% bonus payments when their transferring minority enrollment is 5% -- a fraction of the goal set in the lawsuit settlement agreement. The bonus payments apply to all transferring students, not just to the number in excess of 5%. As a result, the majority of students transferring to suburban districts generates the 20% bonus payment.

--Transportation costs are massive. On a per-pupil basis, they exceed 40% of what an average Wisconsin district spends per pupil on its entire education program. High busing costs mean a growing share of Chapter 220 aid to Milwaukee Public Schools is unavailable for educational programs in MPS schools, which arguably are most in need.

These factors help explain a growth in program costs from about $1.5 million in the first year to $32.5 million in 1986-87 and more than $40 million (estimated) in 1987-88. This could more than double, to about $90 million, by the early 1990s.



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II. PROGRAM COSTS AND STUDENT PARTICIPATION

Chapter 220 (of the Wisconsin Laws of 1975) took effect on May 3, 1976, five months after a Federal Court ruled that Milwaukee Public Schools were segregated unconstitutionally.

The Legislature specified the following declaration of public policy and legislative intent:

> The State of Wisconsin hereby declares that it is the announced policy of the state to facilitate the transfer of students between schools and between school districts to promote cultural and racial integration in education where students and their parents desire such transfer and where schools and school districts determine that such transfers serve educational interests. The state further declares that it is a proper state expense to encourage such transfers through the provision of special aids.

The "special aids" encourage two types of student transfers: (1) interdistrict transfers between Milwaukee and suburban districts -- the focus of this report; and (2) intradistrict transfers -- between school attendance areas within Milwaukee.

Although enacted primarily with Milwaukee in mind, any district which meets the racial balance criteria may participate. Racine, Madison, and Beloit receive intradistrict aids.

The legislation includes four different elements of interdistrict program cost:

1) BASIC AID -- state payments to school districts which receive interdistrict transfer students, that is, suburban districts which receive minority students from Milwaukee, or MPS, which receives white students from the suburbs. These payments equal a defined "net" cost per pupil within the receiving district.

2) BONUS AID -- a 20% increase in BASIC AID to suburban districts whose transferring minority populations equal 5% or more of total district membership.

3) TRANSPORTATION AID -- state payments intended to pay for busing.

4) "SENDER" AID -- general state school aid paid to a school district in which a transferring student lives (as if the student attended the district of residence).

Initially, the four categories of spending were paid from different appropriations. The first three were identified in a separate line item, while the last was included in the overall appropriation of general aid (received by almost all districts in the state).

Chapter 220 transfers first occurred in the 1976-77 school year. Fifteen suburban students transferred to Milwaukee; 317 Milwaukee students transferred to suburban schools. The estimated cost of the four payments was $1.0 to $1.5 million. Because the program was financed from separate appropriations and because all costs were not explicitly detailed, it was difficult from the beginning to gauge its cost.

This difficulty increased in 1979, when the state deleted all specific mention of Chapter 220 from the schedule of budget appropriations within the Department of Public Instruction. The budget provided instead that all four Chapter 220 payments -- BASIC AID, BONUS AID, TRANSPORTATION AID, AND "SENDER" AID -- be paid from the statewide, general school aid appropriation. As a result:

a) the third largest form of state school aid -- Chapter 220 costs -- was not acknowledged in the state budget schedule of appropriations; and

b) the four elements of Chapter 220 aid became indiscernible to all but the few who follow the program closely.

Citizens thus cannot effectively monitor: the total cost of the program; growth in cost; how funds are apportioned among districts; and, finally, whether the program is effective in relation to per-pupil costs.

Research for this report illustrated how elusive such information can be. Several sources, particularly DPI and MPS, committed considerable time to answering questions. The information they provided, along with various reports by legislative agencies, offers varying interpretations of total program cost and funding mechanisms. For example, some officials don't count "sender" aid as a program expense, yet it's clear local officials count it as a real benefit and that these dollars otherwise would be paid to districts throughout the state under the general school aid formula. Further, busing costs are not often explicitly detailed, although they comprise almost 25% of program expenditures.

Other factors contribute to a lack of public discussion and evaluation of Chapter 220 financing. (1) Some local school officials have been reluctant to call attention to program costs because of the possible loss of state aid. (2) From the program's inception there has been a reluctance to criticize or thoroughly examine it, because some who have done so have been accused of racial bias. (3) Because Chapter 220 is a part of the recent lawsuit settlement, some officials regard it as politically or legally off limits.

Thus, although Chapter 220 has existed 12 years, relatively little discussion has occurred as to: the cost of the financial incentives; growth in cost and student participation; and projections of future cost and participation. An examination of these topics, summarized below, indicates that:

1) Chapter 220 per-pupil costs in 1986-87 were $8,737, 95% higher than the statewide average cost of public education.

2) Program costs have grown at a rate much faster than student participation, a trend which will continue without law changes.

3) The incentives result in state payments to local districts which exceed by millions of dollars the actual cost of educating the transferring students.

CURRENT PROGRAM COSTS

The following table lists Chapter 220 program costs resulting from transfers in the 1986-87 school year:

CHAPTER 220 INTERDISTRICT COSTS

1986-87 SCHOOL YEAR

BASIC AID TO RECEIVING DISTRICTS	$16,400,000
BONUS AID TO RECEIVING DISTRICTS	2,100,000
"SENDER" AID	6,000,000
TRANSPORTATION COSTS	8,000,000
TOTAL	$32,500,000

NOTES: Costs are based on 3,721 students transferred in 1986-87; aids are paid to the districts a year later, in this case, 1987-88. In 1987-88, 4,827 students transferred; resulting aids will increase to more than $40 million.

These expenditures represent a cost of $8,737 per pupil transferred, almost double the $4,481 per-pupil cost of public education in Wisconsin in 1986-87.

The various types and amounts of aid are calculated as follows:

1. Basic Aid

Districts to which students transfer receive a payment equal to the "net" per-pupil cost of education in the district. "Net cost" basically equals total costs less certain federal and other revenues; statewide, net cost is about 85% of total costs. The 1986-87 net cost among participating Chapter 220 districts resulted in BASIC AID (paid in 1987-88) of about $16,400,000.

2. Bonus Aid

Suburban districts receive bonus aid if transferring minority students equal 5% or more of their total student body. BONUS AID increases the per-pupil BASIC AID by 20% for all students transferring to the district. About 75% of the 2,941 students transferring to suburban districts in 1986-87 generated bonus payments of $936 per pupil, or about $2,100,000 in total.

3. "Sender" Aid

The Milwaukee Public Schools, and several suburban districts, are eligible for general state school aid, as are the majority of districts in the state. The more students in a district, for a given local tax base, the more general aid it will get.

In calculating general school aid, Chapter 220 allows districts to include students who transfer to other districts, so "sender" districts get state aid for pupils who attend other districts. MPS, for example, estimates it received "sender" aid of about $5.5 million by being able to count the 2,941 pupils who attended suburban districts in 1986-87. Total "SENDER" AID was about $6.0 million, based on estimates that, in addition to MPS, about six suburban districts received $500,000. Most suburban districts aren't eligible for such aid because they don't receive general aid.

4. Transportation Aid

Milwaukee Public Schools receives extra state aid intended to pay the cost of busing Chapter 220 students. The busing cost in 1986-87 was about $8,000,000, or more than $2,100 per pupil. This was:

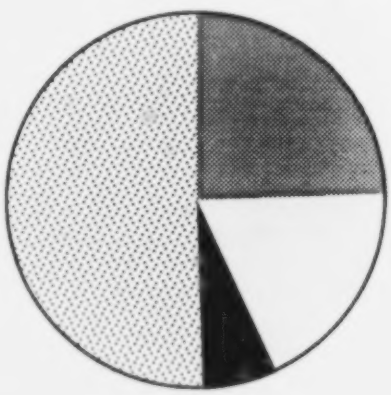
--almost 50% of the average Wisconsin district's per-pupil cost for the entire cost of public schooling; and

--about 8 times the average statewide cost per pupil of transportation.

Beginning with this year, state aid won't be enough to pay the rising cost of busing. (See section on page 14 on transportation costs.)

COMPONENTS OF CHAPTER 220 COST

1986-87 SCHOOL YEAR



Busing - $ 8 Million	24.6%
Sender Aid - $6 Million	18.5%
Bonus Aid - $ 2.1 Million	6.5%
Basic Aid to Receiving Districts - $16.4 Million	50.4%

TOTAL = $32.5 MILLION

GROWTH IN STUDENT PARTICIPATION AND COST

The table below compares student participation and cost between 1976-77 and 1986-87.

	Number of Transferring Students	Cost	Cost/Pupil
1976-77	332	$ 1,500,000	$ 4,518
1986-87	3,720	$ 32,500,000	$ 8,737

While student participation is 11 times the level of the first year, cost is more than twenty times greater. Cost is growing faster for several reasons: higher general state aid means higher "sender" aid; more students are eligible for 20% bonus payments; higher busing costs; and inflation.

Trends in student participation have been noteworthy. In the program's second year, participation increased 80%. In the next six years, respectively, participation grew 22%, 18%, 4%, 11%, 7% and 15%.

Then, in 1984-85, the year the lawsuit was filed, transfers increased 39%. Some have made a direct correlation between this increase and the filing of the lawsuit. This is qualified by two factors: 1) by the time the suit was filed, many suburban districts already had committed to receiving a significant increase in MPS minority students for 1984-85; and 2) some of the increase in 1984-85 was due to more suburban parents applying to MPS; this almost certainly was based on potential access to MPS specialty schools and not a threatened lawsuit.

For the three years after the suit was filed, percentage increases of 41, 35, and 31, respectively, occurred. This reflected a notable growth in slots made available by suburban districts for minority students transferring from Milwaukee.

Throughout the program's history, the majority of transfers have been from Milwaukee to the suburbs. In the current school year (1988-89) more than 80% of the students are transferring from Milwaukee to the suburbs. In the program's first year, 95% of the movement was from Milwaukee to the suburbs.

FUTURE GROWTH IN COST AND PARTICIPATION

Projections of significant continued growth in student participation and cost are based on parent interest and the goals of the lawsuit settlement reached earlier this year.

The Department of Public Instruction has prepared estimates that assume student participation will increase to 8,900 in 1991-92, requiring a Basic Aid payment of about $51 million and a Bonus Aid payment of $7 million. In addition to these costs, the author estimates "Sender" Aid of $14 million and busing costs of $18 million, bringing total costs to $90 million, or $10,000 per pupil within five years.

INCENTIVES VS. ACTUAL COST

At the program's inception, it was assumed that significant financial incentives to local districts were needed to encourage participation. Relatively little discussion has occurred regarding how significant the incentives should be and how long they are necessary.

How much of the $32.5 million cost in 1986-87 reflects financial incentives, as opposed to reimbursement for actual costs incurred? In the author's opinion, between $16 million - $20 million can be categorized as incentives, as summarized below.

1. Bonus Aid and "Sender" Aid are clearly incentives. Together, they represent about $8.1 million.

2. On the other hand, Transportation Aid is related directly to costs of about $8.0 million.

3. That leaves Basic Aid of $16.4 million. This aid is based on the participating districts' average cost per pupil. This almost always will exceed the actual -- or marginal -- cost of adding one pupil to a student body: extra pupils usually are placed in an existing class, without requiring a significant increase in teaching, administrative, or building cost. A reliable estimate of marginal costs under the Chapter 220 program would require detailed information from each district as to which grades and sections transferring students are placed. The author estimates, based on knowledge of some districts' policies, that slots for transferring students often -- and understandably -- are created to avoid the need for new classes and thus to keep marginal costs low.

For purposes of this report, it is assumed, arbitrarily, that marginal costs range from 25% - 50% of average costs. (The number in some districts definitely will be lower.) Based on this assumption, between $8.2 and $12.3 million of the Basic Aid payments are in the form of incentives.

When these amounts are added to the Bonus Aid and "Sender" Aid, incentives are between $16.3 million - $20.4 million, out of a program cost of $32.5 million. Not included in these estimates are the several millions of residential property taxes paid to school districts by parents of children who transfer to another district.

It can be argued that use of average per-pupil cost is a valid measure of actual cost, because it allocates to transferring pupils a proportionate share of all district costs. On this basis, little, if any, Basic Aid would be termed an incentive. This is one area (of several) where reasonable differences of opinion will exist regarding Chapter 220 financing. The author believes that Basic Aid, as now computed, includes significant financial incentives.

III. FINANCING RECOMMENDATIONS

The policy set by the Legislature in 1976 is being realized: (1) transfers based on voluntary parent choice are occurring and (2) transfers are being encouraged ". . . through the provision of special (state) aids."

But at what cost? The purpose of this report is to encourage discussion and evaluation of that question; specifically:

*Do program benefits justify a cost almost twice the average amount spent by Wisconsin school districts to educate each student?

*Are all existing special aids needed to encourage continued implementation of the Legislature's policy?

*What changes in program financing should be considered?

It is the author's opinion that the high program cost is not justified and that financial incentives can be reduced.

At a minimum, the program's cost should be restructured to pay receiving districts as though transferring students lived in the district, as follows:

1. The receiving district would count transferring students in its resident student census for purposes of receiving state aid.

2. The receiving district would receive a state payment, in lieu of residential school property taxes, to account for the fact that parents of transferring students don't pay taxes to the receiving district. The payment would be based on the average value of a home in the receiving district times the district's school tax rate.

This system would align the financing of Chapter 220 somewhat more closely with the general financing of education in Wisconsin.

While this would repeal the "SENDER" AND BONUS AID payments, it would not eliminate all incentives. Sending districts still would get school property taxes from parents whose children transfer to other districts, but would not have the cost of educating those children. Further, state payments to receiving districts (general school aid in lieu of property taxes) typically would exceed the marginal cost of adding transfer students.

This system would cost several millions of dollars a year less than the current program. For 1986-87, the author estimates savings would have totalled about $13.1 million, based on: (a) elimination of "SENDER" AID ($6.0 million) and BONUS AID ($2.1 million); and (b) a reduction of about $5.0 million in BASIC AID. (The reduction in BASIC AID is an approximation; additional research is necessary.)

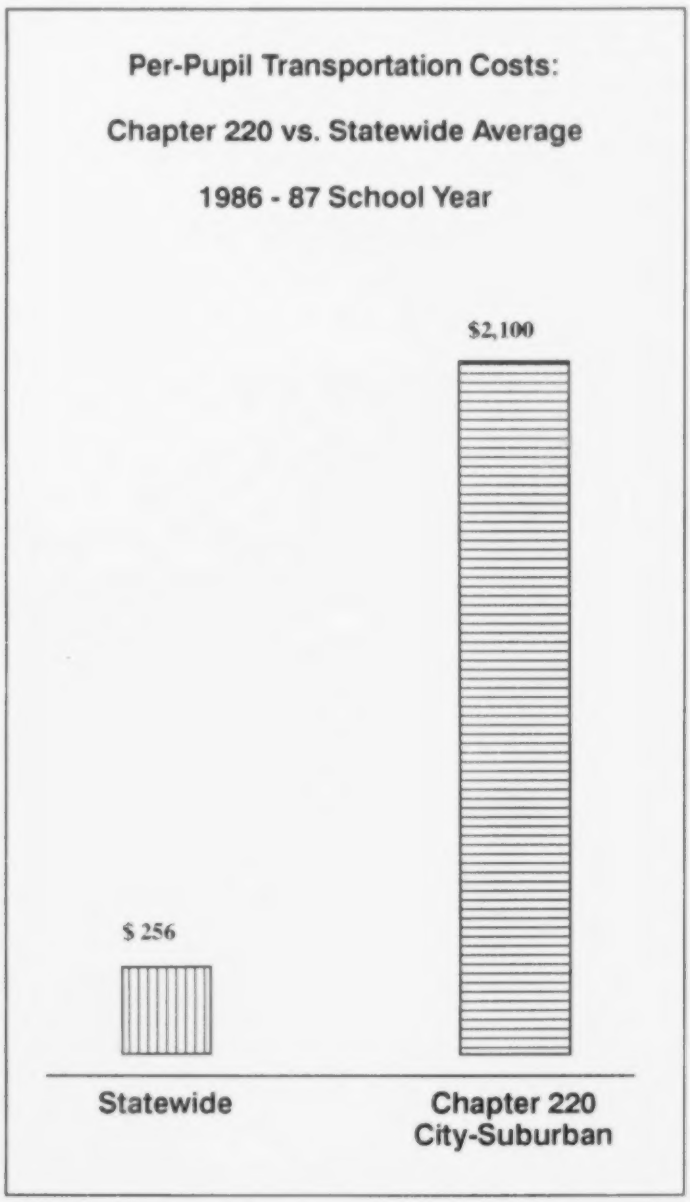
Under this approach, per-pupil costs in 1986-87 would have been about $5,150, still 15% above the statewide average. This assumes no reduction in busing costs; at more than $2,100 per student, the Chapter 220 transportation program clearly requires a thorough, independent review.

As part of any change the Legislature might consider, the state's budgetary appropriation structure should be modified to clearly identify Chapter 220 costs.

TRANSPORTATION COSTS

In 1986-87, the average cost for transportation in Wisconsin school districts was $256 per pupil bused.

In comparison, the Chapter 220 cost for (1) interdistrict busing was more than $2,100 -- eight times the state average--and (2) for intradistrict busing (within Milwaukee) was $557--more than twice the state average.



By state law, MPS is responsible for administration of Chapter 220 busing, both intra- and interdistrict.

The state's payment of these busing costs is characteristic of the ambiguity surrounding the Chapter 220 financial structure.

The law provides that for each student bused within the city for racial balance, MPS will receive a 32.5% increase in general school aids. This extra aid was intended: (1) to compensate MPS for both intra- and interdistrict busing costs and (2) to finance unspecified educational programming for low-achieving students.

At one time, the extra aid was more than enough to pay for the busing costs. In 1981-82, Chapter 220 busing costs were $6.2 million (intra- and interdistrict), while the 32.5% aid bonus produced $18.5 million. The surplus went to the MPS general fund, for general education and administrative costs. The surplus has turned into a deficit, as rapidly increasing busing costs now exceed the 32.5% aid bonus.

There are several problems with this funding setup. To begin with, local incentives to control busing costs were notably absent in the many years when the state was more than paying the bill. Further, it defies accountability to use an arbitrary aid bonus (32.5%), based on the number of students bused within the city, to finance intra- and interdistrict busing and extra educational programming.

If it is to be state policy to pay Chapter 220 busing costs, a more appropriate method would be to (1) create a specific appropriation, (2) work directly with MPS to understand why costs are so high and (3) to implement procedures for cost control. This would allow full legislative deliberation on spending more than $2,000 per pupil in busing at the same time some believe Inner City classes are under-funded.

Separately, if the state's policy is to increase educational programming for students who are bused, these funds should be distinguished from busing costs.

IMPACT OF LAWSUIT SETTLEMENT

An Attorney General's opinion is necessary to determine what impact the necessary changes in Chapter 220 financing might have on the lawsuit settlement.

For example, the settlement states that participating districts could drop out if not reimbursed for the "tuition costs" attributable to transfer students. "Tuition cost" appears to be the equivalent of a district's "net cost" per student, which is used to calculate BASIC AID under Chapter 220. What would be the impact of reducing the level of BASIC AID? Would any suburban districts opt out of the program?

Also, the settlement requires the Governor and Superintendent of Public Instruction to "propose" spending $30 million over five years in new education aids for MPS. Would they have to propose spending in addition to this amount if they recommend a reduction or elimination in current "SENDER" AID to MPS? Could some of the $30 million come from reducing the very high busing costs?

Without some reduction in BASIC and "SENDER" AID, meaningful reform of Chapter 220 financing is not possible. (The one category which appears to be open for elimination under the settlement agreement is the BONUS AID provision, but this accounts for less than 10% of program cost.)

The participating districts might conclude that reform of Chapter 220 financing is in order, regardless of the settlement agreement. Without reform, the substantial financial incentives and

very high busing costs will continue to grow. Because these costs are financed at the expense of districts statewide, the result could be an adverse legislative reaction. A more productive alternative might be for the districts to work with legislators in developing reforms. Where necessary, approval could be sought from the Federal Court to modify the settlement agreement.

ABOUT THE INSTITUTE

The Wisconsin Policy Research Institute is a not-for-profit institute established to study public policy issues affecting the state of Wisconsin.

Under the new federalism, government policy increasingly is made at the state and local level. These public policy decisions affect the lives of every citizen in the state of Wisconsin. Our goal is to provide nonpartisan research on key issues that affect citizens living in Wisconsin so that their elected representatives are able to make informed decisions to improve the quality of life and future of the State.

Our major priority is to improve the accountability of Wisconsin's government. State and local government must be responsive to the citizens of Wisconsin in terms of the programs they devise and the tax money they spend. Accountability should be made available in every major area to which Wisconsin devotes the public's funds.

The agenda for the Institute's activities will direct attention and resources to study the following issues: education; welfare and social services; criminal justice; taxes and spending; and economic development.

We believe that the views of the citizens of Wisconsin should guide the decisions of government officials. To help accomplish this, we will conduct semi-annual public opinion polls that are structured to enable the citizens of Wisconsin to inform government officials about how they view major statewide issues. These polls will be disseminated through the media and be made available to the general public and to the legislative and executive branches of State government. It is essential that elected officials remember that all the programs established and all the money spent comes from the citizens of the State of Wisconsin and is made available through their taxes. Public policy should reflect the real needs and concerns of all the citizens of Wisconsin and not those of specific special interest groups.